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MICHAEL J. PAHUTSKI
Counsel

VIA OVERNIGHT MAIL
September 23, 2004

CINERGY

Ms. Elizabeth O'Donnell
Executive Director,
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

SEP 24 2004

PUBLIC SERVICE
COMMISSION

Re: Case No. 2004-00253

Dear Ms. O'Donnell:

Enclosed for filing please find an original and eleven (11) copies of The Union Light, Heat and Power Company's Supplemental Responses to the Initial Request for Information from the Attorney General in the above-captioned case. Specifically, enclosed are ULH&P's responses KyAG-DR-01-018 (Supplemental), KyAG-DR-01-019 (Supplemental) and KyAG-DR-01-021 (Supplemental).

Please return to me one file-stamped copy in the enclosed overnight mail envelope. Should you have any questions, please do not hesitate to contact me at (513) 287-3075.

Sincerely,



Michael J. Pahtuski

MJP/mak

Enclosures

Cc: Elizabeth E. Blackford
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

RECEIVED

Kentucky Attorney General's Initial Request for Information

Case No. 2004-00253

Date Received: July 27, 2004

Response Due Date: September 24, 2004

SEP 24 2004
PUBLIC SERVICE
COMMISSION

KyAG-DR-01-018 (Supplemental)

REQUEST:

18. For the year 2003, please provide the number of hours during the year that the ULH&P load exceeded the combined output of the East Bend and Miami Fort units that ULH&P is purchasing.

RESPONSE:

During 2003, the ULH&P load exceeded 577 MW (the sum of the capacities of East Bend and Miami Fort) in 748 hours.

WITNESS RESPONSIBLE: Diane Jenner

Kentucky Attorney General's Initial Request for Information
Case No. 2004-00253
Date Received: July 27, 2004
Response Due Date: September 24, 2004

KyAG-DR-01-019 (Supplemental)

REQUEST:

19. Based on the projected load and output models used in the 2003 ULH&P IRP, for the year 2007, please provide the projected number of hours:
- a) ULH&P load can be met with the ULH&P East Bend and Miami Fort units.
 - b) ULH&P load will exceed the output of the ULH&P East Bend and Miami Fort units, and the ULH&P Woodsdale CT units will be run.
 - c) ULH&P load will exceed the output of the ULH&P East Bend and Miami Fort units, and additional power will need to be purchased from CG&E and other sources.

RESPONSE:

- a. In 2007, the number of hours in which the ULH&P load was at or below 577 MW (the sum of the capacities of East Bend and Miami Fort 6) was 6865 hours.
- b. It is not possible to determine from the model the number of hours that the ULH&P load will exceed 577 MW and that the Woodsdale would run. However, the model projects that Woodsdale will run 3827 hours and produce 281,900 MWh, although some of this power would be used to serve ULH&P load and the remainder would be used to sell into the off-system market.
- c. It is not possible to determine from the model the number of hours that the ULH&P load will exceed 577 MW and purchases would be required. However, the model projects that ULH&P will purchase 521,410 MWh, although some of this power would be purchased because it is more economical than fully dispatching East Bend and Miami Fort 6. This number does not include any power from the Back-up contract with CG&E since the energy price of the contract is the same as East Bend and Miami Fort 6.

WITNESS RESPONSIBLE: Diane Jenner

Kentucky Attorney General's Initial Request for Information
Case No. 2004-00253
Date Received: July 27, 2004
Response Due Date: September 24, 2004

KyAG-DR-01-021 (Supplemental)
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REQUEST:

21. With reference to the proposed tariffs, other than the application and any attendant cover letter:
- a) Please provide any letters, e-mails, or other correspondence that ULH&P, a parent or an affiliate has sent or caused to be sent to the Public Service Commission.
 - b) Please indicate whether any lobbyist, officer, director, or employee of ULH&P, a parent, or an affiliate has engaged in any discussion with or presentation to the Public Service Commission regarding the proposed tariffs or economic development tariffs in general in the year preceding the filing of this application. If so, please provide a list of names of those participating in the discussion or presentation on behalf of the utility, the Commission, and any other party to the discussion or presentation; the dates on which the discussions/presentations took place; and, the location at which the discussions/presentations took place. Please provide copies of any written materials or documents utilized or produced in the course of scheduling, conducting, or memorializing the exchange.
 - c) Please indicate whether any lobbyist, officer, director, or employee of ULH&P, a parent, or an affiliate has engaged in any discussion with or presentation to the Public Service Commission regarding the proposed tariffs or economic development tariffs in general since the filing of this application. If so, provide a list of names of those participating in the discussion or presentation on behalf of the utility, the Commission, and any other party to the discussion or presentation; the dates on which the discussions/presentations occurred; and, the location at which the discussions/presentations took place. Please provide copies of any written materials or documents utilized or produced in the course of scheduling, conducting, or memorializing the exchange.

RESPONSE:

- a) ULH&P objects to the extent that "any letters, e-mails, or other correspondence that ULH&P, a parent or an affiliate has sent or caused to be sent to the Public Service Commission" prior to the date of filing is not reasonably calculated to lead to the discovery of admissible evidence. Notwithstanding, and while not waiving, this objection, ULH&P states that on June 7, 2004 an email (attached) was sent announcing the economic development initiative that ULH&P was contemplating.

Kentucky Attorney General's Initial Request for Information

Case No. 2004-00253

Date Received: July 27, 2004

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KyAG-DR-01-021 (Supplemental)

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- b) ULH&P objects on the grounds that “any discussion with or presentation to the Public Service Commission regarding the proposed tariffs or economic development tariffs in general in the year preceding the filing of this application” is not reasonably calculated to lead to the discovery of admissible evidence.

Notwithstanding, and while not waiving, this objection, ULH&P states that on June 8, 2004, Michael Gribler, General Manager State Regulatory Affairs, and Greg Ficke, President of ULH&P, met with Chairman Goss and Vice Chair Williams in a conference room at the Commission's offices in Frankfort. Messrs. Gribler and Ficke gave the Commissioners a “heads up” regarding ULH&P's intention to file for approval of some economic development tariffs, and, as a courtesy, provided the Commissioners drafts of the proposed economic development tariffs, also attached.

- c) No such discussion or presentation has occurred.

WITNESS RESPONSIBLE: Michael Gribler

From: Black, Keith
Sent: Monday, June 07, 2004 9:33 AM
To: 'danielh.groves@ky.gov'; 'mark.goss@ky.gov'
Cc: Needham, Van
Subject: Meeting Request for Economic Development Initiative

Sent on behalf of: Keith Black and Mike Gribler

We are writing today to briefly outline and to inform you two about a new innovative economic development initiative that Cinergy/ULH&P Co. would like to propose for the Commonwealth. We believe this initiative could set a new standard for economic development programs, however, we recognize that in order for such a program to be successful, Cinergy and the Commonwealth would need to be co-partners. Several branches of State Government would need to be engaged, perhaps including the Governor's office, the Ky. PSC and the Economic Development Cabinet. Therefore, if you agree that the program has merit, Cinergy respectfully seeks your assistance in setting up a meeting for discussion with other state officials that you deem appropriate (perhaps Secretarys Strong, Wilcher and/or others). I have chosen to communicate this message by e-mail because of the timelines and confidentiality concerns and more importantly, because you have the authority and discretion to coordinate this type of meeting.

The following is a very brief outline of the Cinergy/ULH&P Economic Development programs which we propose to establish through electric tariffs that will encourage economic development through reductions in electric rates for use of unoccupied buildings, brownfield sites, major expansions and new businesses.

- Urban Redevelopment - would apply to customers locating in an existing building that has been unoccupied for at least six months. The Urban Redevelopment Program is designed to help revitalize areas with abandoned buildings and would apply to customers with a minimum electric load of 500 kilowatts. This program provides for a 50 percent reduction in base bill electric charges for one year.
- Brownfield Redevelopment - would apply to customers locating in a brownfield redevelopment area as designated by Kentucky or federal law. The Brownfield Redevelopment Program encourages development of areas defined by Kentucky or federal law as a property site whose use may be compromised by the presence of a hazardous substance or contaminant. For qualifying customers Cinergy/ULH&P proposes to reduce electric demand charges by 50 percent in the first year declining by 10 percent per year through the fifth year.
- Economic Development - would apply to new establishments or significant expansions. The Economic Development Program would apply to customers with a minimum electric usage of 1000 kilowatts and require that the new or expanding customer create at least 25 new full-time jobs with a minimum capital investment of \$1 million. For qualifying customers under this program, Cinergy/ULH&P would reduce base electric rates by 50 percent for the first year.

As I stated earlier, Cinergy officials are anxious to meet with you to discuss this economic development initiative. However, we realize that this type of meeting would best be coordinated through your office, relative to your schedule. Thanks for your attention to this e-mail. Please call at anytime.

Keith Black
Government Affairs
Cinergy Corp.
Phone: (513) 287- 3704
Fax: (513) 287-2513
Cell: (513) 673-9998

Mike Gribler
Regulatory Affairs
Cinergy Corp.
Phone: (513) 287-3017
Fax: (513) 287-2513
Cell: (513) 673-9728

The Union Light, Heat and Power Company
107 Brent Spence Square
Covington, Kentucky 41011

Ky.P.S.C. Electric No. 4
Original Sheet No. 85
Page 1 of 1

RIDER BR

BROWNFIELD REDEVELOPMENT RIDER

APPLICABILITY

Applicable to customers locating in a qualified "brownfield" redevelopment area as defined by Indiana or federal law and served by existing primary service lines.

CHARACTER OF SERVICE

The service provided shall be 60Hz alternating current provided at the Company's standard distribution or transmission voltage.

NET MONTHLY BILLING

The customer shall comply with all terms of the standard tariff rate under which the customer takes service except as contravened by the following.

- For the first 12 month period, the demand charge shall be reduced by 50 percent;
- For the second 12 month period, the demand charge shall be reduced by 40 percent;
- For the third 12 month period, the demand charge shall be reduced by 30 percent;
- For the fourth 12 month period, the demand charge shall be reduced by 20 percent;
- For the fifth 12 month period, the demand charge shall be reduced by 10 percent.

All subsequent billings shall be at the appropriate full standard service tariff rate.

TERMS AND CONDITIONS

The customer shall enter into a Service Agreement with the Company which shall specify, among other things, the voltage at which the customer will be served.

The Company is not obligated to extend, expand or rearrange its facilities if it determines that existing distribution/transmission facilities are of adequate capacity to serve the customer's load.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's General Terms and Conditions currently in effect, as filed with the Kentucky Public Service Commission.

Issued by Authority of an Order of the Kentucky Public Service Commission, dated _____ in
Case No. _____

Issued:

Effective:

Issued by Gregory C. Ficke, President

RIDER ED

ECONOMIC DEVELOPMENT RIDER

AVAILABILITY

Available, at the Company's option, to non-residential customers receiving service under the provisions of one of the Company's non-residential tariff schedules. This Rider is available for load associated with initial permanent service to new establishments, expansion of existing establishments, or new customers in existing establishments who make application to the Company for service under this Rider and the Company approves such application. The new load applicable under this Rider must be a minimum of 1,000 kW at one delivery point. To qualify for service under this Rider, the customer must meet the qualifications as set forth below. Further, the customer must have applied for and received economic assistance from the State or local government or other public agency before the Company will approve a Service Agreement under this Rider. Where the customer is new to the Company's service area or is an existing customer expanding:

- 1) the customer must employ an additional workforce in the Company's service area of a minimum of twenty-five (25) full-time equivalent (FTE) employees per 1,000 kW of new load. Employment additions must occur following the Company's approval for service under this Rider, and;
- 2) the customer's new load must result in capital investment of one million dollars (\$1,000,000) per 1,000 kW of new load, provided that such investment is accompanied by a net increase in FTE employees employed by the customer in the Company's service area. This capital investment must occur following the Company's approval for service under this Rider.

The Company may also consider applying this Rider to an existing customer who, but for economic incentives being provided by the State and/or local government or public agency, would leave the Company's service area. In this event, the following provision applies:

- 1) The customer must agree, at a minimum, to retain the current number of FTE employees.

This Rider is not available to a new customer which results from a change in ownership of an existing establishment. However, if a change in ownership occurs after the customer enters into a Service Agreement for service under this Rider, the successor customer may be allowed to fulfill the balance of the Service Agreement under this Rider. This Rider is also not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. This Rider is not available for load shifted from one customer to another within the Company's service area.

CHARACTER OF SERVICE

The service provided shall be 60Hz alternating current provided at the Company's standard distribution or transmission voltage.

Issued by authority of an Order of the Kentucky Public Service Commission, dated _____
No. _____

in Case

Issued:

Effective:

Issued by Gregory C. Ficke, President

NET MONTHLY BILLING

The customer shall comply with all terms of the standard tariff rate under which the customer takes service except that the customer's total bill for electric service, less any Rate Adjustment Rider amounts as shown on the standard service tariff, shall be reduced by fifty (50) percent for a period of twelve (12) months. The customer will pay the full amount of the riders so indicated. The customer may request an effective date of the Rider which is no later than twelve (12) months after the Service Agreement is approved and signed by the Company. All subsequent billings shall be at the appropriate full standard service tariff rate.

TERMS AND CONDITIONS

The customer must enter into a Service Agreement with the Company which shall specify, among other things, the voltage at which the customer will be served, a description of the amount and nature of the new load and the basis on which the customer requests qualification for this Rider. The customer must affirm that the availability of this Rider was a factor in the customer's decision to locate the new load or retain current load in the Company's service area.

For customers entering into a Service Agreement under this Rider due to expansion, the Company may install, at customer's expense, metering equipment necessary to measure the new load to be billed under the provisions of this Rider separate from the customer's existing load which shall be billed under the applicable standard tariff schedule.

Following the effective date of the Service Agreement, the customer must maintain a minimum demand in accordance with the Service Agreement and maintain a monthly average of 300 hours use of demand. Failure to do so will result in the customer's Service Agreement being terminated.

The Company is not obligated to extend, expand or rearrange its facilities if it determines that existing distribution/transmission facilities are of adequate capacity to serve the customer's load.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's General Terms and Conditions currently in effect, as filed with the Kentucky Public Service Commission.

Issued by authority of an Order of the Kentucky Public Service Commission, dated _____
No. _____

in Case

Issued:

Effective:

Issued by Gregory C. Ficke, President

RIDER UR

URBAN REDEVELOPMENT RIDER

APPLICABILITY

Applicable to new customers locating in an existing building of 25,000 square feet or more, which has been unoccupied and/or remained dormant for a period of two years or more, as determined by the Company. The new customer load must be a minimum of 500 kW at one delivery point. In addition, the requested service necessary to serve the new load must not result in additional investment in distribution or transmission facilities by the Company, excepting that minor alterations in the service supplied which can be accomplished feasibly and economically may be allowed.

This Rider is not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. This Rider is also not available for load shifted from one establishment to another in the Company's service area. However, if a change of ownership occurs after the customer enters into a Service Agreement under this Rider, the successor customer may be allowed to fulfill the balance of the Service Agreement under this Rider.

CHARACTER OF SERVICE

The service provided shall be 60Hz alternating current provided at the Company's standard distribution or transmission voltage.

NET MONTHLY BILLING

The customer shall comply with all terms of the standard tariff rate under which the customer takes service excepting that the customer's monthly billing amount, less any Rate Adjustment Rider amounts as shown on the standard service tariff, shall be reduced by fifty (50) percent. The customer will pay the full amount of the riders so indicated. The customer may request an effective date of the Service Agreement which is no later than twelve (12) months after Company's approval of the Service Agreement with the customer. All subsequent billings shall be at the appropriate full standard service tariff rate.

TERMS AND CONDITIONS

The customer shall enter into a Service Agreement with the Company which shall specify, among other things, the voltage at which the customer will be served, the amount and nature of the new load and the basis under which the customer will qualify for this Rider. The customer must also affirm that this Rider was a factor in the customer's decision to locate the new load in the Company's service area.

Following the effective date of the Service Agreement, the customer must maintain a minimum demand in accordance with the Service Agreement and maintain a monthly average of 300 hours use for the twelve (12) month incentive period. Failure to do so will result in the customer's Service Agreement being terminated.

The Company is not obligated to extend, expand or rearrange its facilities if it determines that existing distribution/transmission facilities are of adequate capacity to serve the customer's load.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to the Company's General Terms and Conditions currently in effect, as filed with the Kentucky Public Service Commission.

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Issued: _____ Effective: _____

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